

<b>FSC-126-B</b>		<b>8/5/97</b>
<b>SUBJECT:</b> First Half 1997 Forsyth/DORAL Share of Category		
Response Required? <u>  X  </u> Yes		
Date Required: <u>August 29, 1997</u>		
<b>DISTRIBUTION:</b>		
<u>  X  </u> AVP	<u>  X  </u> KAM	<u>  X  </u> DM
<u>  X  </u> RSM	<u>  X  </u> AM	<u>  X  </u> RM
<u>  X  </u> RBM	<u>  X  </u> AE	<u>      </u> Sales Rep
<u>  X  </u> ROM		<u>      </u> Retail Rep

*R mgm*

*My*

**Objective:** Explain and process payouts for first half 1997 Forsyth and EDLP DORAL share of category.

**Purpose:** Forsyth and EDLP DORAL share of category payments are made semi-annually using AIM-generated calculation worksheets. Prompt attention in approving these worksheets ensures timely and accurate payments to your customers.

First half 1997 Forsyth Share of Category calculation worksheets have been sent to respective ROUs for dissemination to the Field. We have automatically calculated payments where possible for qualifying accounts. If you receive a calculation worksheet for an account for which you are not responsible, **Please Forward To The Correct Person.**

The worksheets consist of the following:

- PL Share of Category for Forsyth PL contracted accounts who did not automatically qualify for full payment into their Alliance Accrual Fund.
- DORAL Share of Category for Forsyth Retail PL accounts
- DORAL Share of Category of qualifying EDLP Retail accounts
- Blank Share of Category worksheets for accounts not on AIM.

**PL Share of Category for Forsyth PL Contracted Accounts**

Effective January 1, 1997, we guaranteed the entire \$.50 per PL carton payment to all contracted partners who did not disadvantage RJR in:

- The everyday low pricing of their Forsyth PL brand(s)
- Merchandising of RJR's Full Price and Branded Savings
- On-going promotion of RJR's Full Price and Branded Savings

For those accounts which you identified to Forsyth as not qualifying for automatic payment because of one of the above, we paid only \$.25 per PL carton monthly into their Alliance Accrual Fund. These accounts had to earn, based on RJR's Share of Savings, the other \$.25 per PL carton using the following guidelines:

**Retail PL Contracted Accounts**

50-74% RJR Share of Savings	\$ .10
-or-	
75+% RJR Share of Savings	\$ .25

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#### Wholesale PL Contracted Accounts

	28-50%+ RJR Share of Savings	\$ .01 per share point
I.e.,	28% SOS = \$ .01 per PL carton	
	40% SOS = \$ .15 per PL carton	
Max	50% SOS = \$ .25 per PL carton	

Once the worksheet is approved by you and returned to Forsyth, these additional PL Share of Category earnings will be placed into the accounts Alliance Accrual Fund (Ref. J-19-J, dated 6/25/97).

#### DORAL Share of Category For Forsyth Retail PL Accounts

Retail PL full partners only may qualify for an additional payment on DORAL if they meet the following criteria:

- Minimum 50% RJR Share of Savings
- Minimum Level II Merchandising Partner
- Minimum Level III Retail Accrual Partner

If the retailer does not meet all of the above requirements, it does not qualify for the DORAL SOC portion of the payment.

#### Retail Accounts Only

<u>RJR Share of Savings</u>	<u>DORAL Carton Payout</u>
0-49%	\$ .00
50-74%	\$ .35
75%+	\$ .50

As with the PL Share of Category, these earnings will be placed in the Forsyth Retail PL contracted account's Alliance Accrual Fund (Ref. J-19-J, dated 6/25/97).

#### DORAL Share of Category for Qualifying EDLP Retail Accounts

There are accounts that use Best Value, Monarch, or their distributor's Forsyth brand as their EDLP. These accounts could qualify for a DORAL Share of Category payment if you have signed them to a DORAL Share of Category Agreement. The same criteria must be met as outlined under "DORAL Share of Category for Forsyth (Retail) PL Accounts," and the same DORAL carton payouts apply. Once the DORAL Share of Category worksheet is approved and returned by you to Forsyth, payment will be sent directly to the account.

#### Blank Calculation Worksheets

Blank worksheets have been included for those accounts that were not automatically calculated for you due to lack of AIM data (see attached). For those accounts, fill in the appropriate information on all contracted accounts for which you did not receive a worksheet. All calculation worksheets should be approved, signed, dated, and faxed to Gwen Scott at (910) 741-2685, no later than August 29, 1997.

Program Contacts:    Your Region Business Manager  
                             Your Area Manager of Operations/Area Manager of Finance  
                             Mike Moore, extension #2858  
                             Gary Hicks, extension #2523

R. J. REYNOLDS TOBACCO COMPANY

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